

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

Timebase Pty, Ltd.,) File No. 07-1687
vs. Plaintiff,) (JNE/JJG)
vs.)
The Thomson Corporation,) St. Paul, MN
West Publishing Corporation) April 21, 2010
and West Services, Inc.,) 9:30 a.m.
Defendants.)

BEFORE THE HONORABLE JEANNE J. GRAHAM
UNITED STATES MAGISTRATE JUDGE

(MOTIONS)

(AUDIO TRANSCRIPTION)

APPEARANCES

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(April 21, 2010, 9:30 a.m.)

2 THE COURT: We're here on the matter of Timebase
3 versus Thomson and West Publishing, et al, Civil File Number
4 07-1687 assigned to District Court Judge Joan Erickson and
5 myself, Jeanne Graham as Magistrate Judge.

6 We're here today on plaintiff's motion to compel.

7 Let's have appearances, please. First from plaintiff's
8 side.

9 MR. HOSTENY: Good morning, Your Honor, Joseph
10 Hosteny on behalf of the plaintiff, Timebase.

11 THE COURT: Good morning.

12 MR. LITSEY: Good morning, Your Honor, Calvin
13 Litsey and Kevin Wagner from Faegre and Benson on behalf of
14 the defendants.

15 THE COURT: Hello. Who is going to be arguing
16 this morning?

17 MR. LITSEY: I will.

18 THE COURT: All right. Go ahead on the
19 plaintiff's side, if I can see you over there, come on up.

20 MR. HOSTENY: Thank you, Your Honor. What time
21 limit would you like me to observe on this?

THE COURT: Oh, we'll see how it goes. Motions to
compel, it usually isn't any more than 20 minutes a side.

24 MR. HOSTENY: Okay, I just wanted to save just a
25 couple of minutes for rebuttal --

1 THE COURT: Okay, we'll do that.

2 MR. HOSTENY: -- and reply. We appreciate the
3 Court taking the time to hear the motion.

4 To get right into it, the first point I'd like to
5 address is the fact that Westlaw is accused of infringement.
6 One of the nagging problems we have had even after we filed
7 our second -- it was our actually our second amended
8 complaint which expressly accuses Westlaw of infringing.
9 The defendants continue to take the point of view that
10 Westlaw has not been accused of infringement. They deny
11 infringement, of course, which doesn't surprise me, I'd
12 expect that. But they even take the point of view that it
13 is not accused of infringement.

14 As we stated in our brief, we went through four or five
15 pages just to briefly summarize. There is no question from
16 the statements by I think it was Mr. Martins, Ms. Agard and
17 Mr. Spencer to the effect that all of the products or
18 services that give rise to the initial claim of infringement
19 are integral to Westlaw, are part of the Westlaw
20 architecture, and aren't accessed other than through Westlaw
21 itself.

22 We mentioned in our brief that we had also, in our
23 supplemental infringement statement, again, expressly stated
24 that Westlaw, when somebody uses Westlaw, they are
25 infringing Timebase's patents. It seems to me, beyond

1 question, that the pleadings make it clear that Westlaw
2 infringes. And the reason I mention this, is because this
3 seems to have some effect on discovery as described in our
4 motion.

5 What we're here today about deals really with damage.
6 And as it presently stands now, no, we don't have to show
7 who is wrong, we don't have to show who is right, we're
8 talking about what is relevant under Rule 26. But it's
9 shaping up so far something like this: It's going to be a
10 reasonable royalty case because Timebase does not sell
11 products in the United States. It does compete with Thomson
12 in Australia, but not in the United States.

13 There appear to be no established royalties. Timebase
14 has no -- no licenses for the patents in suit and neither do
15 the defendants to date based on the discovery I have
16 received, have anything that would constitute an established
17 royalty. That means that we're probably going to go back to
18 what's often called the Georgia Pacific case, which Your
19 Honor might be familiar with from other patent cases.

20 We go back in time, we imagine this hypothetical
21 negotiation. There would be a willing licensor, that would
22 be Timebase, a willing licensee, that would be the
23 defendants. One is willing to grant a license, the other
24 wishes to obtain a license. The patents in question would
25 be the '592 and '228, the patents in suit. At least the

1 '952. The '228 was later, but it was pending at that time.
2 And the assumptions would be that the a license was needed
3 and that patents are valid and would be infringed in the
4 absence of a license.

5 From that point, an expert witness and a fact finder
6 would analyze the Georgia Pacific factors. And they most
7 recently came up in the i4i case, which we cited in our
8 brief. And some of those factors, the ones that really
9 pertain here, evidence the linkage that we talk about in
10 our brief. Factor 6 -- this is on page 11 of the i4i
11 opinion. I think we attached the latest slip opinion to our
12 brief.

13 6. The effect of selling the patented specialty in
14 promoting sales of other products of the licensee.

15 Thus, even if the defendants are correct that Westlaw
16 does not infringe, one of the things to be considered under
17 Georgia Pacific is whether the sales of the things that do
18 infringe contribute to sales of things that do not infringe.

19 Thus, even if the defendants are correct that Westlaw
20 is not accused and does not infringe, what we have to deal
21 with in discovery and in further pursuit of the case, is
22 what's the cause and effect relationship between sales,
23 subscriptions, contracts, et cetera, regarding StatutesPlus
24 PastStat Locator, Graphical Statutes, and RegulationsPlus as
25 an enhancement to Westlaw? Does it generate revenue? The

1 question is an unequivocal yes. There is linkage and it
2 does generate revenue for Westlaw. That is the point of the
3 defendant's activity.

4 Factor 8. The established probability of the product
5 made under the patent, including its commercial success and
6 current popularity.

7 The defendants use the services, the particular main
8 services to promote the sales of Westlaw.

9 Factor 10. The nature of the patented invention and
10 the benefits -- and I want to emphasize that word -- and the
11 benefits to those who have used the invention.

12 So, that's the benefits to the defendants and to their
13 customers, because those are the entities that are using the
14 invention. That's Timebase's allegation.

15 Let me back up one more important thing to keep in mind
16 is the way that infringement occurs here is that the
17 defendants can do some of it themselves, okay, and I believe
18 they do. But the larger portion of the infringement occurs
19 when subscribers, when customers logon to Westlaw -- and I
20 believe all of its machines are located here in Minnesota,
21 there might be a few -- there might be a facility in
22 Rochester, but everything I've seen says they're all in the
23 U.S. So, if I logon to Westlaw from anywhere and use these
24 services, I am, in Timebase's view, practicing the
25 inventions.

1 In order to hold Thomson the defendants liable for
2 that, we have alleged that Thomson has induced infringement
3 -- when I say Thomson, I mean all the defendants.

4 THE COURT: Uh-huh.

5 MR. HOSTENY: We've alleged that Thomson has
6 induced the defendants -- the customers, I'm sorry -- the
7 defendants have induced their customers to infringe and they
8 have contributed to their customer's infringement.

9 One thing we've heard in the past in this case is that
10 we can't show either inducement or contributory infringement
11 because we haven't identified a direct infringement. A
12 direct infringer would be a subscriber, a customer. The
13 case law says there must be direct infringement in order to
14 show inducement or contribution. The direct infringer does
15 not necessarily have to be identified, but there must be
16 direct infringement. Okay.

17 So, the benefits to those who have used the
18 invention -- and benefits is a significant word -- the
19 extent to which the infringer has used the invention and
20 value of that use, that information is -- the defendants
21 say, it's all in their spreadsheets. I disagree for reasons
22 I will get to.

23 13. The portion of realizable profit that should be
24 credited to the invention as opposed to its non-patented
25 elements.

1 This is where the defendants will come back with their
2 theory and their theory is overwhelmingly that, for example,
3 PastStat Locator or Graphical Statutes or RegulationsPlus or
4 Graphical Bills are all taken together amount to, on the
5 average, zero -- 0.001 percent of total use. In other
6 words, they are saying that if you measure the damages in
7 accordance with Georgia Pacific, look at our spreadsheets,
8 you will see that the use of these particular aspects of
9 Westlaw is at the vanishing point, almost nil. Okay.

10 Now, I have some serious problems with the way they
11 calculate in their spreadsheets, mainly because we don't
12 know their formulas, but that's what their spreadsheets tend
13 to show. I'll get to those in a couple of minutes.

14 In any event, those are the i4i factors. I
15 characterize -- so, where are we? We're at the point where
16 Timebase wants a reasonable royalty on Westlaw because it
17 infringes. If it does not infringe, Timebase wants a
18 reasonable royalty that takes into account how the sales of
19 the named sub-services or sub-products contribute to the
20 benefits the defendants receive from selling Westlaw
21 subscriptions. Okay, that's where we're headed.

22 The defendants are headed toward what I sometimes call
23 the lost-leader theory. We put this in, we don't charge
24 much for it, we don't care if you use it, but they use it to
25 pitch Westlaw. What they say to their customers, like they

1 said in Tarrant County, one of the contracts we had to find
2 on our own, Tarrant County or El Paso. They said to that
3 county, you can only get this package of services from us,
4 we're the sole source. That's a vendor's dream to have no
5 competition for a bid. And Tarrant County recognized that
6 point in deciding to enter into a contract with Westlaw.

7 Okay.

8 They said, okay, they're the sole source and here's
9 what we'll sign up for. And Mr. -- I think it was
10 Mr. Capaldini, a letter that we found on our own on the
11 internet -- Mr. Capaldini making the pitch that, you can't
12 get these from anyone but us.

13 The thrust, as I see it within Westlaw, has been that
14 they wanted to improve their revenue from statutory
15 research. In fact, I think their president says -- I think
16 it's president or CEO -- this is about 2002 -- Online
17 Statutes Research -- that's the project where this came from
18 -- is an initiative to create a system that makes
19 researching statutes on Westlaw as easy as researching case
20 law. This is a huge undertaking, one that will tap the
21 collective talent of many parts of our organization. But
22 this initiative also is revolutionary, no one else offers a
23 product that allows easy searching and thorough-linking
24 functionality for statutes research, we will be the first.
25 Over and over and over again.

1 In our brief, for example, they mention -- this is page
2 7 -- without the leverage that StatutesPlus provide against
3 Lexus low-ball offer, I would not have been able to renew
4 this account. With StatutesPlus I was able to assign them
5 to a two-year auto-renewing contract with a ten percent
6 increase the first year.

7 Next page of our brief, page 8. Some firm -- we don't
8 know who -- was a part of -- was a part of recently closing
9 a \$493,000 contract with Keycite, StatutesPlus and Westlaw
10 Litigator. The firm -- we don't know who that is -- could
11 no longer go without having Westlaw.

12 And next page, Westlaw's StatutesPlus has the potential
13 of increasing Westlaw's share of online statutory research
14 by approximately ten percent.

15 So, the defendants want the fact finder to zero in on
16 .001 percent while ignoring the statements that Westlaw
17 people made to each other and made to their customers to the
18 effect that, we're the sole source, resign a contract with
19 us, we'll -- and then they tell each other, wow, we got this
20 contract renewed, we got a higher contract price.

21 Mr. Spencer talks about a \$40 million IRS contract that
22 we've never even seen. Online we saw signs of a Department
23 of Defense Contract, we saw contracts with El Paso, a
24 contract with Fresno County. But those are public, the
25 defendants didn't even produce the public contracts, much

1 less the communications with those folks.

2 THE COURT: What I'd -- what I'm going to ask you
3 to do, because while this is helpful, I need to do kind of
4 the practical -- their response -- well, two things. First,
5 just briefly tell me, are the -- the i4i, the Georgia
6 Pacific factors, is that related solely to Interrogatory
7 Number 7 or -- I mean, not solely, but is that best
8 discussed in Interrogatory Number 7?

9 MR. HOSTENY: I think probably so, but I think its
10 relationship pertains to both Interrogatories 1 and 7 --

11 THE COURT: Okay.

12 MR. HOSTENY: -- with which both call for a
13 revenue or damages-related information --

14 THE COURT: Or damages, okay.

15 MR. HOSTENY: -- and also to our document
16 requests.

17 THE COURT: Okay, and then I -- what I need to
18 know just on a real basic level is, what do you think --
19 what do you want that you think they haven't produced
20 because, in essence, I might agree with you it's relevant,
21 but I have a situation where they're saying, hey, we
22 produced everything we can. So -- so, you know, how do I
23 get -- what is it that you don't agree with on that
24 statement?

25 MR. HOSTENY: Well, let me give you what I call

1 the hard-ball answer and the soft-ball answer and you'll
2 have to decide.

3 The hard-ball answer is that all I heard was the word
4 burden from last October. I let a lot of time go by in an
5 effort to negotiate this away. And I thought that our
6 second amended complaint would help, so I waited for that.
7 I thought maybe our infringement contentions would help, I
8 waited for that.

9 The defendants never particularized the burden. In
10 other words, they didn't give me or my client any chance to
11 say, what about this? What about that? They never told us
12 they had 72,000 contracts, they never told us how they were
13 making their calculations in their spreadsheets. It's only
14 in their response that they come up with this so-called
15 burden.

16 I must have cited 25 cases, the defendants haven't
17 cited one. Their burden objection is not really
18 sustainable. Okay. It's gone, because they didn't
19 particularize it, for example, with an affidavit from
20 Hoffman as part of their interrogatory response. I got a
21 problem with his declaration anyway.

22 The soft-ball answer is more like this: Yeah, we did
23 have a discussion a couple of weeks ago because I kept -- I
24 said I'm willing to talk, I think we've done a Rule 37, but
25 I'm still willing to talk. Mr. Litsey suggested, why don't

1 you look at five or ten customers. I said, I can't
2 recommend that to a client by going blind into five or ten
3 customers. He said, well, you can pick five or ten law
4 firms. I said, A, I don't know what law firms are your
5 customers, would I pick the right ones; B, would I pick the
6 largest ones; C, I've seen signs in some of their internal
7 documentation that IBM is a user of their services, so
8 there's corporations there too.

9 So, if you're looking for a way to address the burden
10 on the defendants, then my soft-ball answer is something
11 like this: We have to look at their contracts and we have
12 to look at them eyes wide open. I'll come up here and do
13 that and I'll look at their database, which they say they
14 can query, and they don't tell us how they query it when
15 they generate these spreadsheets, so we're willing to do
16 that.

17 But it's too late in the day for the defendants to say,
18 we don't have to produce contracts because they're not
19 relevant. That argument is nonsense, they are benefits.

20 A benefit is a -- look it up in the dictionary. A
21 benefit is one of the things that Georgia Pacific talks
22 about. A benefit is a payment, a profit, an advantage.
23 These contracts are payments and profits and advantages to
24 the defendants. They didn't even produce -- they claim the
25 contracts are sensitive and that's part of their issue their

1 burden, but they didn't even produce the public contracts.
2 We have a protective order in place that's got two tiers of
3 confidentiality in it.

4 The only confidential contract I have right now is the
5 one that our firm has with Westlaw. And that ones kind of
6 fun because in 2007 our firm signed up for RegulationsPlus,
7 PastStat Locator and Graphical Statutes, three services. Do
8 you know how much our monthly fee went up? 9.5 percent.
9 9.5 percent, that's a nice benchmark for a plaintiff to
10 start with for a reasonable royalty. We went from around 12
11 to \$13,000 a month and we've only got a 30-lawyer firm to
12 about \$14,000 a month.

13 The difficulty I have with the spreadsheets and why I
14 say I think it would be helpful -- one thing you could
15 consider is we'd look at that database, somebody who is
16 cleared under the higher level of the protective order.
17 They keep on calculating using a factor, I think it's --
18 yeah, page 5 of their brief -- they take a subscription
19 price, they multiply it by an actual use percentage, and
20 they come up with a what they call a versioning revenue.
21 Their brief constantly characterizes the patent as
22 versioning. In other words, I can look at different points
23 in time of the regulation and see how it differed in 1999 to
24 2001 to 2003.

25 That's not all the patent is about. Okay. The patent

1 is about not only a point in time, but also looking at
2 different jurisdictions, looking at cases, looking at
3 amendments, looking at legislative reports, that's why --
4 that's why we get into the business of multidimensional in
5 the patent.

6 So, I don't know what their formula includes, whether
7 it includes all uses or just point in time. Their brief
8 suggests just point in time.

9 Secondly, if I look at the contract that we have with
10 our firm, it has nothing to do with how many minutes we
11 spend on RegulationsPlus what we pay. We pay a minimum
12 monthly amount that went up by 9.5 percent simply to have
13 those services into the pool of services, and that seems to
14 be consistent. Now, that is consistent with the documents
15 we cite in our brief. They do not look at how much a
16 customer uses a particular service as a percentage of
17 Westlaw, they say -- you know, this is like a car salesman
18 saying, well, my car has air conditioning and power windows
19 and the other guy doesn't have power windows, so buy my car.

20 So, they say to the customers, we got all of these neat
21 features including PastStat Locator, and StatutesPlus, and
22 so forth and so on. That's how they pitch them, that's how
23 they sell it. That's why communications with customers are
24 significant. And I differ, I think we asked for agreements,
25 I think we asked for documentation of the benefits of using

1 the accused services and so forth in document requests.

2 I think their burden, if Your Honor wants to recognize
3 that, can be managed in a much better way than they suggest,
4 which is shut us off from what Georgia Pacific says is the
5 most relevant evidence.

6 THE COURT: Okay.

7 MR. HOSTENY: Let me see --

8 THE COURT: Take a few more minutes to sum up
9 anything else you wanted to and then --

10 MR. HOSTENY: Yeah, I dealt with the spreadsheet
11 issue and the burden. I'm just looking at sensitivity.

12 I find it a little offensive -- keep in mind two things
13 the defendants are doing. One is -- and it is -- when we
14 issue a document request, if it's too broad, we haven't hit
15 the right thing. If it's too narrow, in other words, if we
16 try to make it narrower, we've been too specific and this is
17 what we should have asked for. That's the strategy that I'm
18 dealing with here. We only have a 100 document requests.
19 And so -- and for their own sakes, the defendants interpret
20 their document requests broadly.

21 Yesterday I was told that one document request
22 pertaining to research and development documents covered not
23 only the documents leading up to the development of the
24 inventions in the early years, the 90s and 2000 and 2001, it
25 covered everything up to 2009, anything that was arguably

1 technical in any way whatsoever.

2 Okay, I can live with that, but I think both parties
3 have to live with the same thing. I don't take well with
4 the defendants telling me that a contract isn't a benefit
5 that isn't covered by our document requests. I think it's
6 kind of silly.

7 In terms of subpoenas, the customers they have include
8 some of the largest law firms in the world presumably, IBM,
9 the Department of Defense, Internal Revenue Service. I
10 don't think they're going to be intimidated and our job is
11 to pursue some discovery. We don't plan on subpoenaing
12 everybody in the world, we have a limitation in the
13 scheduling order. And those parties have a right to make
14 objections to subpoenas.

15 The defendants have issued a half dozen or more Hague
16 requests. They have issued probably now about half a dozen
17 subpoenas, including to companies that have financial
18 interests in Timebase and, you know, wonder about the value
19 of their interest in Timebase. And we haven't objected to
20 any of those subpoenas being issued and we haven't sought a
21 protective order with respect to any of them. And their
22 cases don't involve, I might add, inducement or contributory
23 infringement.

24 So, I think that's the sensitivity issue. With that, I
25 think I will stop, I think I've covered the central points.

1 I hope I addressed your questions and I'll sit down.

2 THE COURT: All right. And on behalf of the
3 defense.

4 MR. LITSEY: Good morning, Your Honor.

5 THE COURT: Good morning.

6 MR. LITSEY: Mr. Hosteny has made a lot of broad
7 statements; it sounds almost like he's making a summary
8 judgment argument on damages. But the issue before the
9 Court is very specific, there are specific discovery
10 requests that are the subject of this motion. There are
11 really two categories of information that I want to focus on
12 and address the Court's question, what is it that plaintiff
13 wants that we haven't given and why is that not true.

14 The first category is financial information. That's
15 really in the interrogatories. The second one is what I'm
16 going to call is the non-requested customer information,
17 because when we get this, I think the Court will see that
18 the kinds of information Mr. Hosteny and his client are
19 seeking have not been even requested. Notwithstanding that,
20 we've tried to broach the subject and try to come to a
21 reasonable compromise. But the fact of the matter is, that
22 information has not been requested.

23 To benefit the Court and with the Court's permission, I
24 wanted to hand up a booklet that not only sets forth the
25 specific discovery requests, but a summary of our responses,

1 if I may approach, Your Honor.

2 THE COURT: Have you given him a book?

3 MR. LITSEY: Yeah. There's also a second sheet,
4 Your Honor, that I'll turn to later that relates to the
5 hearing before this Court about the end of last year.

6 The financial information, Your Honor, is in two
7 interrogatories. As the Court may recall when this case
8 began, Timebase accused three products of infringement.
9 There are three components of Westlaw as a whole which has
10 all kinds of services, it has case services, judge services
11 and so forth, that was focused on StatutesPlus, a new
12 feature that was added to the traditional database, PastStat
13 Locator, and RegulationsPlus.

14 Based on that, plaintiffs, in order to develop their
15 damages theory, served Interrogatory Number 1. That's at
16 tab A of this booklet. And I've highlighted specifically
17 what it is that was sought in Interrogatory Number 1. First
18 was sales information; second, profits; and the third,
19 subscriber pricing information for those three products.

20 What have we provided? We provided in the form of an
21 Xcel spreadsheet which they have and they can manipulate
22 that data and search it however they want, plus hard copies
23 that amounts to about two of those binders for each of these
24 sets of products.

25 The monthly revenue. So, the asked-for sales, we gave

1 them the monthly revenue by month. We gave them the costs
2 for development associated with this, the annual editorial
3 maintenance costs, and then calculated a gross profit. So,
4 they have the sales information and the gross profit
5 information for each of those accused products.

6 We also provided the pricing information. The way that
7 subscribers are charged for either on a pay-as-you-go basis
8 or as part of a package and so forth. And we explained that
9 in detail in a 13-page interrogatory answer.

10 Just so the Court gets a little bit better idea of the
11 nature of the spreadsheet information, if you turn to tab B,
12 this is just one page of one example of the information that
13 was provided for one of the accused products that they
14 identified.

15 So, for example, if you just look at the first line,
16 there's the month and the year for this particular customer
17 subscription, the database from which that subscription
18 comes, the total charge for that subscription, so they have
19 that information. And then in addition to that, we provided
20 them an allocated revenue based on the actual use of the
21 accused products. It's not just the versioning feature of
22 that product, it's the entire product. So, all usage of
23 that product. But they have both, they have the total
24 subscription price. Their damages expert can make whatever
25 argument he or she wants from that. They have the actual

1 use percentage for that month and then for the accused
2 product, the specific component which they say is the
3 component of Westlaw that infringes, and then based on that
4 calculation, it's just the multiplication and then that's
5 the number. We told them that, that's explained in the
6 interrogatory answer.

7 So, in terms of Interrogatory Number 1, what they've
8 asked for, we've provided it to them. They have the entire
9 spreadsheet, they have all of the information, they have the
10 explanations and, you know, what usually happens in a
11 complex case like this is, once you have information and
12 we've tried to answer questions when they've had them --
13 we've had a series of e-mail exchanges -- is you take a
14 deposition. They haven't done that.

15 Usually what you do in this case is if you have
16 questions about the way we allocate our financial
17 information, you take a 30(b) (6), or they can identify Mark
18 Hoffman whose affidavit is in here. We provide the
19 information, you take a deposition. If there are issues
20 that arise as a result of that deposition, then we'll
21 address those or work with them on that basis. But at this
22 point, we provided a full, complete, fair, reasonable
23 response to that interrogatory. So what happened?

24 THE COURT: Can you just do one thing for me, I
25 know everyone has thrown this around, but can you do another

1 attempt at explaining what versioning revenue is or how that
2 differs from --

3 MR. LITSEY: It doesn't, Your Honor.

4 THE COURT: Okay.

5 MR. LITSEY: It's a term that's used internally by
6 the defendants. But in this case, that allocation, the
7 versioning revenue is for any use of the accused product.
8 So, any use of PastStat Locator, whatever it was for this
9 particular subscription, and these are identified by product
10 -- accused product in the information that we provided to
11 them.

12 THE COURT: Okay.

13 MR. LITSEY: So, what happened? Obviously as
14 Mr. Hosteny suggested, customers haven't been using this.
15 His law firm didn't buy the feature until they were hired
16 for this lawsuit. People haven't been using it. It's nice
17 to have. It's like a cup holder in a car or something, but
18 users haven't been using it. 90 percent of our customers
19 don't even subscribe to it.

20 So, with a low damages number before them, what did the
21 plaintiffs do? They decided to try to expand the case.
22 They say now, they've accused all of Westlaw infringement.
23 I mean, that's sort of preposterous on its face. I mean,
24 our case law searching feature has been around for decades;
25 it hasn't been enhanced in anyway.

1 Are they accusing that of infringement? No, what he's
2 trying to do is get a bigger damages number. He's making an
3 argument that these nice-to-have features drive sales for
4 Westlaw as a whole. But Westlaw is not an accused product.
5 In fact, in the excerpts that I just provided to the Court
6 that are cited in our brief, Mr. Hosteny told the Court at
7 the end of last year when they amended their complaint, the
8 only thing they were adding as an accused product was
9 Graphical Bills. And we provided the same information for
10 Graphical Bills as we did for the other three.

11 So, there's this big dispute about Westlaw revenue, you
12 know. And that will be a damages argument. That will be --
13 you know, that will be the argument -- one of the arguments
14 at summary judgment, motions in limine for trial, and
15 everything else. I don't want to burden the Court with
16 damages issues, but the fact of the matter is, Mr. Hosteny's
17 reading of the i4i case is not correct.

18 The feature in that case was part of Microsoft Word.
19 It was not sold separately; it was a text editor feature.
20 So when the damages expert there was opining about the
21 benefit of that feature, he looked to Microsoft as a whole.
22 It would be just like trying to discern the benefit of a
23 spellcheck feature in Microsoft Word. Microsoft doesn't
24 sell that separately.

25 The law is clear when you sell a component separately

1 as we do with each of these features, then that becomes the
2 component that you look at for purposes of computing a
3 reasonable royalty. It would be just like a cable
4 subscription, you can get different packages, but there's a
5 separate charge for each of those, so you can make a
6 separate allocation, unlike the i4i case.

7 Notwithstanding, Your Honor, this disagreement on
8 damages, when they submitted their Interrogatory Number 7
9 which is at tab C, and seeks revenue and profit for all of
10 Westlaw, we said, look, we disagree with you. We objected
11 to it, preserved our rights, but we said -- and we told them
12 in February, nonetheless, we will provide you with whatever
13 we have on Westlaw revenue and profitability. And that's
14 what we did.

15 So, in February -- so, they've had it for weeks. They
16 have had all of our Westlaw revenue as a whole by month from
17 the Westlaw brand. We told them in our interrogatory
18 answer, we do not, in the ordinary course of our business,
19 compute net profits for Westlaw as a brand for the whole
20 thing. What we do is we calculate profit based on the
21 business units that sell the product. So, the business unit
22 that sells Westlaw has a profitability figure associated
23 with it. We provided that profitability information to the
24 plaintiff.

25 So, the plaintiff has the benefit of all of the revenue

1 information and it has the benefit of the profit information
2 for that business unit.

3 THE COURT: And it -- and let me just see if I
4 understand. Is there anything that says -- and another
5 thing we calculate is, here's the -- here's the profit for
6 Westlaw for all of the products -- is products the same as
7 components?

8 MR. LITSEY: Yes.

9 THE COURT: Here's -- here's -- here it is for all
10 of Westlaw, and we've calculated as part of that revenue --
11 how do I want to say this -- what part of these profits has
12 been contributed by the sale of these individual parts? Can
13 you do that? Is that what you say number -- spreadsheet B
14 is or is that different?

15 MR. LITSEY: Yes.

16 THE COURT: You see what I mean, there might be a
17 difference in -- that's what I'm trying to figure out. Is
18 .0 percent, 00 percent, does that show the stream to Westlaw
19 or does that just show -- no one has really used it, but
20 maybe we got those people into Westlaw because they kind of
21 like these other things, but as it turns out they didn't
22 really love it, but they stayed with Westlaw nonetheless.
23 They came for the winter, they stayed for the summer. You
24 know, it's a -- is there a way for you to do that? Do you
25 see my dots?

1 MR. LITSEY: Let me see if I understand the Court
2 correctly.

3 THE COURT: I see my dots, I may not be able to
4 tell them to you.

5 MR. LITSEY: In terms of there's the overall
6 Westlaw revenue by month.

7 THE COURT: Right.

8 MR. LITSEY: So, that's provided. Then the
9 revenue for each of these accused features and then the --
10 is provided by month.

11 THE COURT: Okay, got that. Is there anything
12 that says, but we know that these features contributed to
13 our Westlaw overall profit because they bought it because of
14 that or they -- do you know what I mean?

15 MR. LITSEY: No.

16 THE COURT: Are you able to --

17 MR. LITSEY: I, mean there's nothing -- no, they
18 have all of our marketing and sales information. They can
19 make whatever arguments they want from that. They'll
20 probably have a damages expert say, well, look -- just as
21 Mr. Hosteny did -- look, they -- you know, we're trying to
22 get people to stay Westlaw customers and to continue to buy
23 it. I mean, the fact of the matter is, people that are
24 Westlaw customers, they've been Westlaw customers for years
25 and years and years and years. They didn't buy Westlaw

1 because of, you know, some small feature that they don't
2 even use. In fact, as I said, 90 percent of the people as I
3 said don't even buy this feature --

4 THE COURT: Buy that, okay.

5 MR. LITSEY: -- they don't even have it.

6 THE COURT: Okay. And the reason I -- I'm asking,
7 I'm trying to figure out, just to make sure I understand
8 what the dots are is that you may be right or he may be
9 right how it's eventually going to be looked at, but I have
10 to try to consider whether there's reasonably calculated
11 evidence to lead to that.

12 MR. LITSEY: Sure.

13 THE COURT: Okay, go ahead.

14 MR. LITSEY: Understood, Your Honor. That's why
15 I'm going to try to be very specific here. Here's the
16 interrogatories, here's the response, here's how it's
17 responsive, here's how it's fair and reasonable. If they
18 want some other information or some further explanation,
19 take a deposition.

20 THE COURT: Okay.

21 MR. LITSEY: So, that brings me to the second
22 category of information which Mr. Hosteny has alluded to,
23 which I'm going to call the non-requested customer
24 information. It's sort of broad. He hasn't cited
25 specifically, as you're actually required to do in your

1 motion papers under Rule 37, you know, set out in the
2 document requests; here's what we ask for and here's how
3 it's non-responsive. They didn't do that.

4 But what I've done at tab 2, Your Honor, is set out the
5 document requests that they identified in their motion
6 papers as allegedly seeking, as I understand it, all of our
7 customer communications, all 72,000 customer communications
8 with all 600 sales representatives over the past six years.
9 All 72,000 customer contracts. The identification of every
10 single one of our 72,000 customers over the past six years.
11 That's what I understand them to be asking -- or plaintiff
12 to be asking.

13 We've told them repeatedly, you haven't asked for that.
14 We know you can ask for that, but you haven't asked for
15 that. If you do ask for it, we've made some reasonable
16 proposals as to how we think we ought to deal with that.
17 But if you look at the document requests, they don't ask for
18 that information. These are document requests.

19 The thing that -- probably the request that comes
20 closest would be something like request number 61, which is
21 on the second page there. A list by name of all users of
22 RegulationsPlus.

23 We don't maintain in the ordinary course of our
24 business a list by name of all users of RegulationsPlus. We
25 don't have a document like that. If they asked in

1 interrogatory, that would be a different story and then we'd
2 have to generate the information, but this is a document
3 request. We understand they could ask that interrogatory.
4 But what we suggested is if you're going to be as
5 unreasonable as we think you're being in your motion paper
6 about when you properly ask for something, what you're going
7 to ask for, then it is likely we will be back before Your
8 Honor seeking a protective order to provide some reasonable
9 way to get at what plaintiff supposedly wants.
10 Interestingly, we've already told them, you have a lot of
11 customer information by customer.

12 As you may recall in tab B, there is a customer number,
13 not a name, they don't know who it is, but they have all of
14 the information for that customer about how much they're
15 using that product, how much they paid for it. They have
16 that all on a searchable spreadsheet. They can search that
17 information however they want. They can sort it by usage,
18 by revenue or whatever.

19 We've suggested, if you come back to us, once you ask a
20 proper request, if you're reasonable, then we could work
21 with you and provide for a targeted set of information,
22 targeted set of customers. If you want to try to make your
23 case and go out and depose some customers and ask, why did
24 you buy it, why did you use that feature, is that an
25 important factor for you? They're entitled to do that.

1 We're not saying that they're not entitled to do that, but
2 the way you do that is through some reasonable approach
3 where they have some limited number of customers.

4 We've already told them the top 100 law firms, that
5 obviously subscribe to Westlaw. You take your pick there.
6 You know how you use it. They're actually accusing
7 themselves of infringement under their theory, because
8 they're a user of this product.

9 What we don't want to have happen is go out and
10 subpoena and essentially accuse of infringement indirectly
11 each of our customers or overburden them or overburden us
12 with having to produce, you know, 72,000 contracts or --
13 which have changed over time, so it's some multiple of that,
14 times some other multiple of other communications with each
15 of our sales representatives, especially on what we
16 believe -- and we know we disagree with the plaintiffs about
17 this -- on a damages theory which is speculative at best.
18 You can just look at the numbers themselves, they tell the
19 story, 90 percent of the people don't even buy it. Of those
20 who do, only six customers, six out of 72,000 use these
21 features more than two percent of the time.

22 So, again, my analogy is to -- to it's nice to have cup
23 holder in a minivan.

24 So, very specifically, Your Honor, with respect to the
25 motion before the Court, which is to compel further answers,

1 again, unclear to us what it is exactly they want. We've
2 provided the information in response to Interrogatory Number
3 1, provided what we have for Interrogatory Number 2, and the
4 other has not been requested. We've said, when you do
5 request it, if you're reasonable we'll work together. I
6 believe there is a way we can come up with a reasonable
7 solution without burdening the Court. Now is not the time
8 to burden the Court with a hypothetical motion when the
9 parties don't even have before them an actual request and an
10 actual response by us.

11 So, for those reasons, Your Honor, we ask that the
12 motion be denied.

13 THE COURT: Okay, thank you.

14 MR. HOSTENY: Very briefly, Your Honor.

15 THE COURT: Yes.

16 MR. HOSTENY: I can only imagine the defendants
17 response if we took a 30(b)(6) deposition and said, we want
18 to come back and do another one. There would be a fight
19 over that one. I don't think that's feasible.

20 I think you prepare for a 30(b)(6) deposition by
21 getting the documents out there that are reasonably relevant
22 to the issues in the case and then you take a deposition.

23 I was struck by Mr. Litsey's comment that some of these
24 people have been Westlaw customers since forever.

25 Mr. Spencer, page 11 of our brief, he describes the new

1 product development StatutesPlus in particular by saying,
2 that it doubled the growth rate for usage of online statutes
3 and mature product line. That's not in those spreadsheets.

4 The instrumental -- he goes on to say -- instrumental
5 in securing many multi-million dollar contracts, none of
6 which we have unless we found them publicly online --
7 including an IRS contract previously held by Lexus for
8 several decades valued at \$20 million.

9 The internal documentation cited in our brief, and I've
10 seen -- honestly, I don't know what all kinds of documents
11 that the defendants have internally. I'm looking at it
12 through the lens of discovery. I do know I'm not seeing the
13 documents that show the best causal relationship between the
14 revenue earned by the defendants and the activities that are
15 accused of infringement. I do know that I'm not seeing
16 that. I take Mr. Litsey's word at face value to mean
17 versioning means every aspect of the patent whether it's
18 jurisdiction or case law or whatever.

19 In the spreadsheet here, for example, our firm isn't
20 identified. We can't find ourselves in any of the
21 spreadsheets identified by the defendants. We have no idea
22 who any of these folks are. We have no idea which ones
23 we're told, we have these neat services that we can include
24 if you become a Westlaw subscriber. We have no idea how
25 many were taken away from Lexus, just as Mr. Spencer

1 mentions. We don't know the percentage calculation.

2 As I mention in our contract, it's just a 9.5 percent
3 kicker if there are services sold separately. If
4 RegulationsPlus is available to someone without being a
5 Westlaw subscriber, I have yet to see one document that
6 indicates that to be the case.

7 In order to use any of these, you must first logon to
8 Westlaw or WestMate, which is -- the main ball game is
9 Westlaw or WestlawNext. You've got to be a subscriber to
10 use them.

11 I think the case law is that an infringing apparatus
12 doesn't have to infringe all the time. It can be used in
13 both infringing and non-infringing modes, and that may be a
14 relevant factor on a damages calculation. But it doesn't --
15 the fact that it's not always used in an infringing manner
16 doesn't mean that it doesn't infringe.

17 I think the quibble with the document requests -- you
18 look at Mr. Litsey's tab and you see right there, identify
19 the benefits to using PastStat Locator; benefits, reward,
20 profit, advantage.

21 On Interrogatory Number 1, state the annual sales and
22 annual gross profits resulting from, okay, the purchase,
23 rental, lease or use of, and then I identified three. I
24 think they're confining "from" in an unfair way. I think
25 Georgia Pacific says, look not only at the revenue generated

1 by the accused components, if you wanted to take these as
2 the only accused things, look at what they contribute.

3 Okay. That's Georgia Pacific, that's well-established case
4 law. And I think any patent litigator reading the
5 interrogatory knows that case law.

6 And also the sense I had from their brief is suppose I
7 went out and I said, now, give me all of your contracts,
8 give me the first 2000 contracts, I think I would have
9 another objection.

10 The thrust of their brief is not only did we ask for
11 the wrong document request, the further thrust is that this
12 stuff is too sensitive to give away. I think we'd be
13 fighting over it again. I don't see much point in doing
14 that since I think that discovery is closed on August 31st.
15 So, we're running short of time.

16 I think I'm probably skipping a couple of things, but I
17 think that's it. Thank you.

18 THE COURT: Do you think that -- and then I'm
19 going to ask you to respond to this and that's the only
20 thing I'm going to have you respond to.

21 But have they answered -- and not Interrogatory Number
22 7 -- and for each service or product that can be accessed by
23 user of or subscriber to Westlaw is --

24 MR. HOSTENY: I don't think they have, because I
25 think they should have identified something more than just

1 spreadsheets in connection with that.

2 THE COURT: Okay.

3 MR. HOSTENY: I think they should have identified
4 -- and I have a problem with their responses to Rule 34
5 requests as a general principle because the way we're
6 getting everything is on CD. We don't see anything produced
7 as is kept in the ordinary course of business. I have no
8 chance to put eyes on that.

9 THE COURT: Okay.

10 MR. HOSTENY: And we have no production in
11 accordance with this pertains to document request thus and
12 such. So, I don't think they have, Your Honor.

13 THE COURT: Okay. I'll let you answer that part.

14 MR. LITSEY: As to the last point, Your Honor, we
15 have produced documents that are consistent -- that are kept
16 in the ordinary course of business.

17 But as to Your Honor's question, for Westlaw as a whole
18 we produced overall Westlaw members, we produced each of the
19 accused product numbers. We did not produce separate
20 revenue numbers for every other of the components or
21 products that have not been accused of infringement.

22 THE COURT: Okay. All right, well, I'm going to
23 take it under advisement. Interesting, but I'm not going to
24 just willy-nilly rule from the bench, so I'll get it out as
25 quickly as I can. All right.

1 MR. LITSEY: Thank you, Your Honor.

2 MR. HOSTENY: Have a nice day.

3 THE COURT: Thanks, you too.

4 * * *

5 **CERTIFICATE**

6 I, Lorilee K. Fink, RPR-CRR, certify that the
7 foregoing is a correct transcript, transcribed to the best
8 of my ability from an audio recording of the proceedings in
9 the above-entitled matter.

10 Certified by: s/Lorilee K. Fink
11 Dated: February 2, 2010 Lorilee K. Fink, RPR-CRR

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